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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
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RUEHBJ/AMEMBASSY BEIJING 1616
RUEHKO/AMEMBASSY TOKYO 1483
RUEHIT/AMCONSUL ISTANBUL 2052
RUEATRS/DEPT OF TREASURY WASHDC
RHEHNSC/NSC WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
RHMFISS/CDR USCENCOM MACDILL AFB FL
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RUEKJCS/JOINT STAFF WASHDC
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C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 000665

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E.O. 12958: DECL: 05/02/2018
TAGS: [PGOV](#) [ECON](#) [EFIN](#) [TX](#)
SUBJECT: LOCAL IMF REPRESENTATIVE UPBEAT ABOUT
TURKMENISTAN'S ECONOMIC PROGRESS

REF: A. ASHGABAT 551
[B](#). ASHGABAT 615
[C](#). ASHGABAT 317

Classified By: DCM Sylvia Reed Curran for reasons 1.4 (B) and (D).

[1](#)1. (C) SUMMARY: Local International Monetary Fund (IMF) Liaison/Research Officer Jennet Hojanazarova is very optimistic about economic and financial reforms underway in Turkmenistan. According to the Hojanazarova, the current team of economic leaders is working well together, and that they are all taking the IMF's recommendations for future reform seriously. The Government of Turkmenistan is also following the IMF's advice to provide information to the public on reform to increase confidence in the banking sector -- and progress is being made in this area as well. The IMF has a multi-year technical assistance program on capacity building in statistics, but Hojanazarova says that more is needed, particularly in the area of information technology -- and there is room for involvement from the donor community. Anti-money laundering/financial intelligence unit legislation is currently under consideration by the Parliament. Hojanazarova predicted that consumer goods prices would fall in the next few months, and that the government is aware of the need to have a floating exchange rate in some form so as not to discourage foreign investment. While the IMF's relationship with Turkmenistan seems to be improving, the next step is to move Turkmenistan towards bilateral relationships. END SUMMARY.

TURKMENISTAN'S NEW ECONOMICS TEAM IS "SOLID"

[1](#)2. (C) Local International Monetary Fund (IMF) Liaison/Research Officer Jennet Hojanazarova said on May 21 that the recently-formed team that will focus on economic reform is solid (Ref. A). She said that "they (previous group of ministers and deputy chairman in the economic sphere) all competed with each other. This group is united by one goal." Hojanazarova said that Deputy Chairman for economic and financial issues, former Minister of Finance

Hojamurat Geldimuradov knows economics and is a good choice to lead this team. Hojanazarova said that recently-named Central Bank Chairman Guvanchmurat Goklenov is knowledgeable about economics and international banking due to his experience as former Chairman of the State Bank for Foreign Economic Relations (Vneshekonombank). She added that Goklenov attends receptions, speaks English, and is willing to attend meetings on short notice when necessary. Goklenov is by nature inquisitive, and often actively seeks out positive and negative aspects of issues, without concern that he is displaying a lack of knowledge.

"STEPS IN THE RIGHT DIRECTION" ON PUBLIC OUTREACH

13. (C) Hojanazarova thinks that Goklenov understands the importance of image within the banking sector, which is a key issue for the IMF -- it has long been pushing the Government of Turkmenistan to conduct a public information campaign explaining basics of finance, economics, and banking to increase the public trust in the banking system. Hojanazarova said that the announcement placed on the back page of official Russian-language newspaper "Neytralniy Turkmenistan" on May 1, which clearly stated that the official and commercial rates were unified, was a step in this direction (Ref. A). The IMF also asked the Government of Turkmenistan for permission to publish a one-page summary of the Article IV review -- and also remarks about the unified exchange rates and the closure of extra budgetary funds. Hojanazarova said that government officials did not immediately understand this request or the fact that it would

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be beneficial to Turkmenistan's image, but the officials are in the process of getting approval for this.

IMF CONSIDERS ESTABLISHING A REGIONAL TECHNICAL ASSISTANCE CENTER IN ASHGABAT

14. (C) Hojanazarova said that while it is too early to say what recommendations the Government of Turkmenistan will accept, she is thus far encouraged by the fact that Goklenov accepted and very actively discussed all IMF recommendations made during the recently concluded annual Article IV consultations (Ref. B). She said that the Government of Turkmenistan requested additional opportunities for training economic and financial sector employees both at the IMF Institute in Vienna, as well as locally-taught seminars. The IMF asked Deputy Division Chief (Middle East and Central Asia) Peter Winglee to discuss with the government the possibility of establishing a Regional Technical Assistance Center in Ashgabat. The Turkmenistan government responded with a request for more details on the concept. Hojanazarova said that the lack of air links in the Central Asian region and with other countries is a problem, however.

IMF STATISTICAL EXPERT COMING (BACK) IN SEPTEMBER

15. (C) Devi Manraj, an IMF statistics expert, is returning to Turkmenistan in September to continue a two- or three-year technical assistance project at the State Statistics Committee that she began during a recent three-week visit. Hojanazarova said that the State Statistics Committee employees worked well with Manraj. For example, these employees were so eager to soak up Manraj's knowledge that they spent as much time as possible with her -- including working through lunch and staying after hours, as well as organizing and participating in excursions with her. Hojanazarova thinks that the primarily female staff Manraj worked with at the State Statistics Committee also trusted her more as a fellow female.

IS TURKMENISTAN EMBARRASSED BY ITS STATISTICS METHODOLOGY?

16. (C) Hojanazarova said that President Berdimuhamedov said that statistics methodology must be improved, and thinks that it's possible that the government is not sharing statistics

within the donor community because they are aware that the U.S.S.R.-legacy methodology it uses is so poor. Turkmen officials are aware of this gap and know that these statistics are not fit for distribution. Hojanazarova said the Turkmenistan still receives advice on national accounts from Moscow. Until recently, Turkmenistan published gross output figures and called them gross domestic product (GDP). Now, the country publishes both true GDP and gross output, which is restoring the credibility of its economics reporting. Statistics expert Manraj detected other statistical methodology problems, such as using indices and nominal values as equal values when computing statistics. Hojanazarova said that Turkmenistan needs an information technology project -- including software, hardware, and training components. She also said that the State Statistics Committee said that it would be happy to coordinate this among the donors.

UPDATE ON PROGRESS TOWARDS AML/FIU

17. (C) Hojanazarova said that Turkmenistan considered the recommendations of IMF Legal Advisor Giuseppe Lombardo following the anti-money laundering/financial intelligence unit workshop (AML/FIU) (Ref. C). The government added the recommendations to the draft law and submitted the law to Parliament, which is now considering it. According to

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Hojanazarova, the government hoped to enact the law earlier, but the shuffle of economic personnel in April (Ref. A) delayed the adoption because the new leadership will have to review it.

PREDICTIONS ON ECONOMIC DEVELOPMENTS

18. (C) Hojanazarova said that consumer goods prices have not yet fallen in response to the inflated manat because of the increase in air ticket prices and import duties -- but, predicted that prices would fall and find equilibrium in the next few months. The IMF objected to the raising of import duties, and Geldimuradov said that he would try to follow the IMF's recommendations and improve the situation. According to Hojanazarova, the IMF knows that the government understands the current "sticky prices" situation. Nevertheless, the IMF took care to avoid criticizing as it understands that this is due to accumulated problems inherited from the previous government. Hojanazarova said that Turkmenistan asked the IMF for technical assistance on a managed float exchange rate regime. According to Hojanazarova, the government knows that it must address these issues, because it understands that Turkmenistan will lose out on a significant portion of foreign investment if the exchange rate continues to be so tightly controlled.

19. (C) COMMENT: The fact that Hojanazarova, who is a Western-educated economist, is so positive about progress is encouraging. IMF cooperation appears to be headed straight ahead. The next question is, is Turkmenistan ready for bilateral -- as opposed to multilateral -- assistance? The upcoming visits from Department of Treasury delegations will be the true test. END COMMENT.
HOAGLAND